

RECEIVED
San Jose City Clerk

COUNCIL AGENDA: 08-09-05
ITEM: 4.2

2005 AUG -3 A 11: 31

DRIVING A STRONG ECONOMY COMMITTEE

Executive Summary June 27, 2005

The meeting was convened at 1:34 p.m.

Members Present: Chair Forrest Williams, Vice-Chair Dave Cortese, Councilmember Chuck Reed

Staff Present: Paul Krutko, Ed Moran, Leslye Corsiglia, Mike Meyer, William Sherry, Jim Peterson

1. Housing Indicators Report (Housing)

The Committee accepted the staff's report, "Housing Indicators Report".

2. Affordable Housing Funding and Production Report (Housing)

The Committee accepted the staff's report, "Affordable Housing Funding and Production Report".

3. Update on Air Service Development Program (Airport, Office of Economic Development)

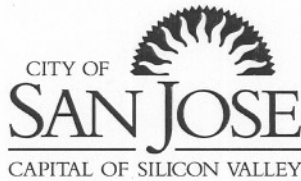
The Committee accepted staff's report, "Update on Air Service Development Program".

4. Oral Petitions
None

5. Adjournment

Meeting was adjourned at 3:00 p.m.

Forrest Williams
Forrest Williams, Chair
Driving A Strong Economy Committee



DRIVING A STRONG ECONOMY COMMITTEE

Report June 27, 2005

Members Present: Chair Forrest Williams, Vice-Chair Dave Cortese, Councilmember Chuck Reed

Staff Present: Paul Krutko, Ed Moran, Leslye Corsiglia, Mike Meyer, William Sherry, Jim Peterson

The meeting was convened at 1:34 p.m.

1. Housing Indicators Report (Housing)

Leslye Corsiglia, Director, Housing Department, gave this presentation on housing indicators, including market trend information on San Jose's rental and for-sale housing market. Mortgage rates have remained at low levels, allowing for more renters to become homebuyers. San Jose home prices continue to rise as demand continues to exceed supply. Interest-only loans have dramatically increased, yet default rates remain low in San Jose compared to the rest of California and national statistics. Rentals in San Jose also remain stable with rents for large family dwellings are in demand. San Jose rental rates remain out of reach for most working families. Presently, over half of rental housing building permits in San Jose are for affordable units.

Upon motion of Councilmember Reed, seconded by Chair Williams, the Committee accepted staff's report on, "Housing Indicators".

2. Affordable Housing Funding and Production Report (Housing)

Leslye Corsiglia, Director, Housing Department, and Mike Meyer, Deputy Director of Production, Housing Department, gave this presentation to the committee. The Department of Housing in collaboration with the Redevelopment Agency, continue to meet the housing goals previously established by the Mayor and City Council with 6,000 affordable units built and/or in progress in the 2003-04 fiscal year. A total of

10,520 affordable units were completed, or under construction, rehabilitated or permitted for construction from January 1999 to December 2006. San Jose leads other California cities in affordable housing production. The Housing Department provides funding for other types of affordable housing such as senior apartments, group homes, family apartments, housing for special needs populations. Policy objectives are to maximize the efficiency of the City's funding and target populations most in need.

Councilmember Reed asked how does San Jose compare to other cities in the county in providing affordable housing. Housing Director Corsiglia replied San Jose exceeds every city by a large margin.

Chair Williams asked staff to provide a chart to compare the extremely low-income population to availability of affordable housing.

Upon motion of Councilmember Reed, seconded by Vice-Chair Cortese, the Committee accepted staff's report on, "Affordable Housing Funding and Production".

3. Update on Air Service Development Program (Airport, Office of Economic Development)

William Sherry, Director, Airport, and Jim Peterson, Deputy Director of Business Development and Community Relations, Airport, presented this report. The current air service development strategy is to retain current air service levels, while strategically pursuing the reinstatement of routes lost since 2001. Acquisition of new international routes is also important to support the City's Economic Strategy and the goal is to obtain six new flights over the next five years. The City has identified the following international destinations as key targets in its air service development program: Dublin, Guangzhou, Hong Kong, London, Mexico City, Seoul, Shanghai, Taipei, Toronto, and Vancouver. During the last 12 months, Airport staff has conducted 28 air service meetings with 20 airlines. Data on airline market performance, travel trends, Silicon Valley investments overseas, and the financial performance of local companies is useful in identifying air service needs. The majority of airlines do not have the resources or staff to conduct the type of analysis that is necessary to establish new routes because of airline cut backs. The Office of Economic Development is the Airport's strategic partner in helping to obtain data.

Councilmember Reed asked for the status on Aer Lingus establishing a San Jose route. Staff responded that airlines within the European Union must be granted authority to open up a new gateway in the United States.

Chair Williams asked how receptive are airlines to provide international air service to San Jose. Paul Krutko, Director, Office of Economic Development, responded the

challenges vary from airline to airline. The market is definitely present to support international air routes to Europe and Asia. The challenge with our Cambridge partners in East of England is that the way that Heathrow Airport is controlled, it is impossible to get a flight into that market. American Airlines has identified San Jose's airport curfew as a hindrance for the Asian market. William Sherry, Airport Director, concurred that not only does the curfew affect passenger business, but cargo business as well.

Chair Williams suggested staff chart out the opportunities and compare the challenges the current policy presents, outlining the economic advantages that changes to the policy may require.

Paul Krutko stated staff's focus is on demonstrating that the market does exist here. A comprehensive survey of Silicon Valley businesses to determine the travel patterns and needs of the local community is planned for the new fiscal year.

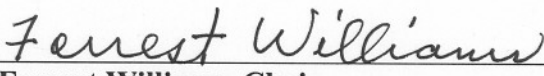
Chair Williams stated that one major challenge is that San Jose lacks an international identity.

Paul Krutko agreed and underlined the importance of San Jose hosting more events like the San Jose Grand Prix, eBay Live, and the International Arts Symposium as ways to attract international media coverage.

Upon motion of Councilmember Reed, seconded by Vice-Chair Cortese, the Committee accepted staff's report on, "Update on Air Service Development Program".

4. **Oral Petitions**
None

5. **Adjournment**
The meeting was adjourned at 3:00 p.m.



Forrest Williams, Chair
Driving a Strong Economy Committee